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DE RUEHUNV #0572/01 3511127
ZNR UUUUU ZZH
O 171127Z DEC 09
FM USMISSION UNVIE VIENNA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0438
INFO RUEHXX/GENEVA IO MISSIONS COLLECTIVE PRIORITY
RUEHSW/AMEMBASSY BERN PRIORITY 0222
RUEHBY/AMEMBASSY CANBERRA PRIORITY 0769
RUEHLO/AMEMBASSY LONDON PRIORITY 1312
RUEHOT/AMEMBASSY OTTAWA PRIORITY 0008
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RUEHRN/USMISSION UN ROME PRIORITY 0082

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SENSITIVE
SIPDIS

DEPT FOR IO/T, EB/IFT/ODF, L/PIL

E.O. 12958: N/A

TAGS: [KUNR](#) [ETRD](#) [EIND](#) [EAID](#) [UNIDO](#) [UNDP](#) [UNEP](#) [AORC](#) [KGHG](#)

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SUBJECT: UNIDO GENERAL CONFERENCE: YUMKELLA WINS REELECTION
BUT LOSES A POT OF GOLD

11. (SBU) Summary: Working-level Mission Officers and Acting UN Counselor attended the December 7 - 11 UNIDO General Conference as informal guests, sitting at the rear and dispensing with name plates. The overall tone of the five-day Conference was positive. Resolutions reflected this year's theme - "greening industry" - though work also included bread-and-butter tasks such as approving the budget.

The Iranian Ambassador was elected Chair of the Conference but withdrew from the spotlight after issuing a perfunctory call for "changing the world order." UNIDO's Director General, Kandeh Yumkella of Sierra Leone, handily won a second four-year term. He lost a major battle, however, over the use of 12 million Euros in unspent balances. (Yumkella had tried to retain the funds for long overdue management reforms, but the UK blocked consensus and insisted that the surplus be returned to Member States upon request.) Aside from this hiccup, the General Conference revealed UNIDO's continuing evolution as a dynamic organization with a vastly improved reputation and wildly popular Director General. (During the course of the Conference, MsnOff parried several requests that the U.S. rejoin the organization.) The next UNIDO General Conference will be held two years from now, at the end of 2011, possibly in Bali. End Summary.

The UNIDO General Conference: Tone and Substance

12. (SBU) The UNIDO General Conference runs much like similar meetings at other international organizations, with a ceremonial "Plenary" characterized by lengthy speeches, and a simultaneous "Main Committee" where resolutions are negotiated and the true work of the Conference takes place. UNIDO's biennial conference attracted three Prime Ministers (Tanzania, Lesotho and Kenya) and two Deputy Prime Ministers (Russia and China). Most EU delegations were represented by local ambassadors. The five-day Conference ran December 7 - 11 and was, according to some participants, quite a bit longer than necessary.

13. (SBU) Statements by African heads of delegation were enthusiastic and solidly supportive of DG Yumkella, while the Latin Americans tended to criticize the pace of program delivery and attention paid to their region (relative to Africa). Japan, Russia and the EU emphasized energy issues

and environmental measures. The EU called for greater efficiency, system-wide coherence, and the primacy of results-based management. Partnerships were another theme, including the approval of a joint G-77 / EU resolution to expand UNIDO's partnership with UNDP. Negotiations over other resolutions occasionally stumbled in the Main Committee, but the bulk passed without serious contention. The most important event during the GC was the reelection by acclamation of UNIDO's capable and charismatic Director General Yumkella to a second (and final) four-year term.

¶4. (SBU) Yumkella used his statement before the GC to look back on his successful first term; a period during which UNIDO had increased the volume of Technical Cooperation while attracting increased funding. Looking forward, Yumkella hoped to take further steps to "modernize" UNIDO and increase partnerships. Expounding on the theme of this year's conference, "greening industry," Yumkella underscored UNIDO's special role in increasing industrial production in the developing world while fighting climate change and identifying environmentally-sound solutions.

¶5. (SBU) (Note: Acting UN Counselor and a Mission intern attended the UNIDO General Conference as informal guests, sitting at the back without name plates. Our attendance was noticed, however, and elicited both direct and indirect pleas that the U.S. rejoin the organization. End Note.)

Iran in the Chair

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¶6. (SBU) Iranian Ambassador Soltanieh was visibly pleased by his appointment as GC Chairman. He delivered opening remarks expressing appreciation for "the confidence placed in him and his country" and affirming his mission to promote sustainable industrial development in pursuit of a new economic order and global equality. He noted UNIDO's role in poverty reduction and development, and highlighted the need to increase energy access. Following this initial appearance, Soltanieh yielded the dais to his twelve Vice Chairs, who took turns presiding over the remainder of the Conference. (Note: Soltanieh has preached similar themes of "changing the international order" at the IAEA and is a self-designated leader in the struggle to wrest control over key issues from the hands of the West).

Surprised Yumkella Loses a 12 Million Euro Surplus

¶7. (SBU) On December 10, the penultimate day of the Conference, conflict came to a head over an issue of unspent balances. The balances amounted to 12.1 Million Euros that had trickled in unexpectedly from Member States catching up on late payments. Bucking UNIDO's financial rules (which mandate that unspent balances be returned to Member States), DG Yumkella proposed to channel 3 million toward Technical Cooperation projects and the remaining 9.1 million to a long overdue "change management" project. The project, designed by international consultancy firm Deloitte, is generally well-regarded by Member States and includes much needed software upgrades. But the UK, supported by Russia and Mexico, demanded the return of their portion of the surplus via an "opt-out" clause. Member States negotiated into the night on December 10, eventually agreeing to the opt-out clause and putting an end to Yumkella's vision of change management.

¶8. (SBU) Yumkella maintained a stolid poker face as the defeat played out, but was reportedly less sanguine in private. He is undoubtedly well aware that given UNIDO's biennial budget cycle, there may be no opportunity to revisit change management for another two years. Austrian Ambassador Boeck, who spent several weeks attempting to build consensus among Member States around funding the project, was also bitterly disappointed. German DCM Kemmerling, who similarly

supported the proposal, described the UK's blocking maneuver as a narrow-minded "vote of no-confidence" in Yumkella.

¶9. (SBU) (Note: Germany and most other Member States maintain that UNIDO is desperately in need of the upgrades that will allow them effectiveness in program delivery. This would include, for example, an Enterprise Resource Platform, which, as seen in a similar project at the IAEA, carries a multi-million Euro price tag. The IAEA funded a significant portion of its ERP through a similar surplus reallocation in 2008, which no doubt contributed to Yumkella's misplaced confidence in performing a similar maneuver. End Note.)

Comment

¶10. (SBU) Yumkella's reelection was expected, but his defeat over the issue of unspent balances came as something of a surprise. He had clearly expected Member States to allow him to use the funds to move forward with his goal of modernizing the organization. Other than this telling (and fiscally-driven) defeat, the General Conference revealed UNIDO's continuing recovery from the U.S. withdrawal and related financial crisis of the early nineties. It has by now evolved into a focused, dynamic and well-regarded organization. The willingness of Member States to work across blocs is another welcome aspect of relations among UNIDO Member States. The issues of results-based management, for instance, which attracted so much acrimony at the IAEA, was the subject of general approval at the UNIDO General Conference. Yumkella must take care, however, to focus on UNIDO's unique niche and avoid any perception that UNIDO is

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overstepping its mandate or duplicating the efforts of other UN agencies. Careful orchestration of UNIDO's activities will avoid a repeat of the British rebellion that "robbed" Yumkella of an important investment in the future.
DAVIES